

**More Effective Actions Can Be Taken When
Collecting Accounts of Defunct Businesses**

September 2003

Reference Number: 2003-30-196

This report has cleared the Treasury Inspector General For Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 24, 2003

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Assistant Inspector General for Audit (Small Business and
Corporate Programs)

SUBJECT: Final Audit Report - More Effective Actions Can Be Taken When
Collecting Accounts of Defunct Businesses (Audit # 200230031)

This report presents the results of our review of the Internal Revenue Service's (IRS) collecting of accounts of defunct businesses. The overall objective of this review was to determine whether the Collection Field function (CFf) uses the proper procedures when closing delinquent accounts of defunct businesses as Currently Not Collectible (CNC).

In summary, most tax liabilities of businesses arise from their fiduciary responsibility to collect and pay trust fund taxes. Trust fund taxes are the Federal taxes withheld from employee earnings and the employee and employer portions of taxes required by the Federal Insurance Contributions Act (FICA).¹ Unpaid trust fund taxes are the second largest component of the accounts receivable inventory of the IRS. As of September 2002, these taxes represented \$14.5 billion (31 percent) of the \$46.7 billion in accounts receivable owed to the IRS.

When the IRS determines that a business is no longer in operation and has no assets to pay its tax liabilities, the accounts are closed as CNC² – Defunct. The amount of trust fund taxes closed as CNC – Defunct increased from \$919 million in Fiscal Year (FY) 2000 to \$1.3 billion in FY 2002. Another \$926 million in trust fund cases has already been closed CNC – Defunct in the first 6 months of FY 2003.

¹ 26 U.S.C. § 3101 (1939) – The FICA establishes a Social Security and Medicare tax on employers and employees. The employee portion of the tax is deducted from the paycheck and then matched by the employer portion of the tax.

² A CNC account is a taxpayer account that has been determined to be presently uncollectible. However, the account's status is subject to change.

Our review of 319 judgmentally sampled cases closed as CNC – Defunct showed that the CFf properly determined that the businesses were defunct and did not have assets sufficient to pay off all or part of the tax liabilities. However, some cases took a significant amount of time before they were closed in the CFf. The 319 closed cases in our sample averaged 25.7 months in open CFf inventory (from date of assignment to date of closure). Of the 319 cases, 82 (26 percent) had taken over 36 months to be closed. The IRS considers CFf collection cases over-aged when they have been in the field for 16 months. Many of the taxpayers in our sample were in business when the delinquency case was received in the CFf. In 207 (65 percent) of the 319 cases, the entity was in business when the case was received in the CFf and later went out-of-business.

In addition, controls for calculating and determining the Trust Fund Recovery Penalty (TFRP)³ were not always effective. In 38 of the 319 cases, the return delinquency investigations⁴ were not completed before the TFRP was considered, causing the TFRPs to be asserted⁵ for amounts less than appropriate or not to be asserted at all. Also, responsible officers received personal income tax refunds totaling \$204,000 in 30 of the 166 cases in which the TFRP was not asserted.

We recommended the Director, Compliance Policy, Small Business/Self-Employed (SB/SE) Division, make computer programming changes to ensure that delinquent tax return investigations are addressed in TFRP calculations, and remind CFf managers to address unfiled returns and the TFRP in workload reviews and in their approvals of cases closed as CNC – Defunct. We also recommended the Director consider studying the impact of revenue lost when the TFRP is not assessed and responsible officers subsequently receive refunds.

Management's Response: The SB/SE Division's Compliance and Compliance Policy functions generally agreed with our recommendations. The Field Payment Compliance office submitted a Request for Information Services for a computer programming enhancement, and group managers were trained to address the areas we recommended. However, the SB/SE Division's Compliance Policy management disagreed with the impact of revenue lost when the TFRP is not assessed and responsible officers subsequently receive refunds. Management cited the difficulty for revenue officers to accurately predict which taxpayers will receive refunds, and the potential for refunds being returned because of injured spouse claims. Management's complete response to the draft report is included as Appendix IV.

Office of Audit Comment: We recognize that assessing the TFRP in all cases may not be practical. While the potential for future taxpayer refunds may be difficult to predict,

³ The TFRP is asserted against responsible officers and is a method of collecting unpaid trust fund taxes from officers when taxes are not fully collectible from the business that failed to pay them.

⁴ Return delinquency investigations are for trust fund returns that were due but had not been filed when the business became defunct.

⁵ A revenue officer prepares the paperwork required to recommend an assertion of the TFRP. This paperwork is routed to an IRS campus where it is processed, resulting in the assessment of the TFRP.

we believe there are compelling reasons for studying the impact of revenue lost when the TFRP is not assessed and responsible officers receive refunds. Specifically, Trust Fund liabilities are increasing and are a top priority for the CFF, responsible officers frequently received personal income tax refunds in cases in which the TFRP was not asserted, and refund offsets are a cost-effective collection tool for the IRS. While we still believe our recommendation is worthwhile, we do not intend to elevate our disagreement concerning this matter to the Department of Treasury for resolution.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Parker Pearson, Director (Compliance), at (410) 962-9637.

**More Effective Actions Can Be Taken
When Collecting Accounts of Defunct Businesses**

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More Effective Actions Can Be Taken When Collecting Accounts of Defunct Businesses

Background

The collection mission of the Internal Revenue Service (IRS) is to promptly collect the correct amount of Federal tax from all persons and entities which have been determined to have a legitimate tax liability. If a taxpayer does not pay the proper amount of tax due, the IRS collection process starts with a form letter to the taxpayer requesting payment of the balance due (a tax delinquency). If the taxpayer does not pay, the IRS attempts to contact the taxpayer by telephone to resolve the delinquency, or the case is assigned to an office of the Collection Field function (CFf).¹ The tax delinquency case is assigned to a revenue officer (RO) who attempts to make field contact with the taxpayer and resolve the delinquency.

Most tax liabilities of business entities arise from their fiduciary responsibility to collect and pay trust fund taxes. These are the Federal taxes withheld from employee earnings and the employee and employer portions of taxes required by the Federal Insurance Contributions Act (FICA).² In some instances, an entity goes out-of-business and unpaid tax liabilities still exist. The term “defunct entity” specifically applies to any business that is no longer operating or has gone out-of-business. For these cases, IRS procedures require the RO to:

- Identify the physical location of the business.
- Determine whether the business is ongoing.
- Identify all individuals owning the business and/or responsible for its operation.
- Determine whether the business has an ability to pay the liabilities.

¹ The CFf is the unit in the area offices consisting of revenue officers who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns.

² 26 U.S.C. § 3101 (1939) – The FICA establishes a Social Security and Medicare tax on employers and employees. The employee portion of the tax is deducted from the paycheck and then matched by the employer portion of the tax.

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When the RO locates the business or its owners/managers and determines that the business is no longer in operation and has no assets to pay its tax liabilities, the account is closed as Currently Not Collectible (CNC)³ – Defunct. Since the business has ceased operations, frequently the only remaining option for the RO is to identify the responsible officers or business owners, apply the Trust Fund Recovery Penalty (TFRP)⁴ against these individuals personally, and attempt to collect unpaid trust fund taxes from them. The TFRP is not applicable for collection of corporate income tax.

Unpaid trust fund taxes are the second largest component of the accounts receivable inventory of the IRS. As of September 2002, these taxes represented \$14.5 billion (31 percent) of the \$46.7 billion total potentially collectible accounts receivable owed to the IRS. TFRP assessments represented another \$3.5 billion (7.5 percent).

The amount of trust fund taxes closed as CNC – Defunct increased from \$919 million in Fiscal Year (FY) 2000 to \$1.3 billion in FY 2002. Another \$926 million in trust fund cases has already been closed as CNC – Defunct in the first 6 months of FY 2003.

Our audit was conducted between July 2002 and June 2003 in offices of the Small Business/Self-Employed (SB/SE) Division, the IRS Philadelphia Campus,⁵ and CFf offices in Philadelphia, Pennsylvania, and Cherry Hill, New Jersey. The audit was conducted in accordance with *Government Auditing Standards*.

Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

³ A CNC account is a taxpayer account that has been determined to be uncollectible.

⁴ The TFRP is asserted against responsible officers and is a method of collecting unpaid trust fund taxes from officers when taxes are not fully collectible from the business that failed to pay them.

⁵ The campuses are the data processing arm of the IRS. The campuses process paper and electronic tax returns, correct errors, and forward data to the computing centers for analysis and posting to taxpayer accounts.

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Revenue Officers Generally Followed Procedures When Closing Cases as Defunct

Our review of 319 judgmentally sampled defunct entity cases closed as CNC – Defunct showed that CFf ROs made the correct determinations that the entities were, in fact, defunct and did not have assets sufficient to pay off all or part of the tax liabilities. ROs researched appropriate sources (state, city, county records), made field visits to business locations, and contacted third parties for information. While these determinations were appropriate, ROs did not always work the cases timely or properly assess the TFRP.

Closing Defunct Business Accounts Took a Significant Amount of Time

The 319 closed cases in our sample averaged 25.7 months in open CFf inventory (from date of assignment to date of closure). Of the 319 cases, 82 (26 percent) had taken over 36 months to be closed. The IRS considers CFf collection cases over-aged when they have been in the field for 16 months.

In addition, many of the taxpayers in our sample were in business when the delinquency case was received in the CFf. In 207 (65 percent) of the 319 cases, the entity was in business when the case was received in the CFf and later went out-of-business. When in-business trust fund cases are not worked timely, unpaid trust fund liabilities can continue to accumulate, thereby increasing the potential of revenue lost to the IRS. In addition, taxpayers may go out-of-business, leaving the IRS little chance of collecting the taxes due.

In a prior report,⁶ we brought timeliness issues to the attention of Collection function management. In that report, we recommended that Collection function management adopt quicker time periods for assigning in-business trust fund cases and contacting taxpayers.

IRS management has recently attempted to improve the timeliness of working trust fund cases through a stronger emphasis on trust fund in-business cases, quicker assignment to the field, and more case involvement by managers. These actions should improve timeliness.

⁶ *Improvements Are Needed in Resolving In-Business Trust Fund Delinquencies to Prevent Tax Liabilities from Pyramiding* (Reference Number 2000-30-111, dated August 2000).

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Controls for Calculating and Determining the Trust Fund Recovery Penalty Were Not Always Effective

ROs recommended assertion of the TFRP⁷ in 153 of the 319 businesses we sampled. Only the tax withheld and the employee portion of the FICA taxes can be included in the TFRP amount (interest, other penalties, and the employer portion of the FICA taxes cannot be included in the TFRP asserted amount). Our review of the 166 cases where the TFRP was not asserted identified 2 areas in which the IRS can make improvements to procedures for assessing the TFRP.

Unfiled tax returns were not always secured and considered when assessing the TFRP

IRS procedures require the closing of trust fund tax return delinquency investigations prior to the calculation of the TFRP. These investigations are for trust fund returns that were due but had not been filed when the business became defunct. ROs can close these investigations by securing the tax return from the business officers, preparing a return⁸ using prior quarter information to estimate the amount of taxes due, or closing the account as not liable if the business had no employees for those periods.

Of the 319 businesses sampled, 38 had open trust fund tax return investigations when the RO closed the case. Because these investigations were not closed, responsible officers for 14 of these 38 businesses were potentially assessed a TFRP for an amount less than appropriate. For the remaining

⁷ The TFRP, applicable to withheld income and employment (Social Security and Railroad Retirement) taxes or collected excise taxes, is used to facilitate the collection of tax and enhance voluntary compliance. If a business has failed to collect or pay over income and employment taxes, or has failed to pay over collected excise taxes, the TFRP may be asserted against those determined to have been responsible and willful in failing to pay over the tax. Responsibility and willfulness must both be established. The withheld income and employment taxes or collected excise taxes will be collected only once, whether from the business or from one or more of its responsible persons.

⁸ Internal Revenue Code (I.R.C.) § 6020(b) (amended 1966) is the authority given to the Commissioner of the IRS to prepare and process returns for non-filing taxpayers. I.R.C. § 6020(b) applies to a business return when a) the entity appears to be liable for the return, b) the person required to file the return does not file it, and c) attempts to secure the return fail.

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24 businesses, the TFRPs were not asserted because the balance was below the threshold for assessing the amount. However, the securing of delinquent unfiled returns could have raised the trust fund liability over the dollar threshold for assessing the TFRP in these instances. Not asserting the TFRP for all tax periods results in potential loss of revenue.

ROs use the Automated Trust Fund Recovery (ATFR) system to calculate the TFRP. However, the ATFR system does not include potential dollars associated with these tax return delinquency investigations. When approving CNC accounts, managers did not ensure that the tax return delinquency investigations were properly closed.

In a prior audit,⁹ we recommended that the ATFR system be modified to require that open investigations be addressed. IRS management agreed with the recommendation in their official response to the draft audit report; however, corrective action, scheduled to have been completed December 1, 2001, has not been implemented.

The TFRP is frequently not asserted against responsible officers that later receive refunds

Procedures allow for the IRS to apply to TFRP assessments the refunds from personal taxes of those responsible officers assessed the TFRP. When determining collectibility, ROs should consider the fact that responsible officers may receive future refunds. Sometimes, this consideration is not given.

We determined that responsible officers received personal income tax refunds totaling \$204,000 in 30 (18 percent) of the 166 cases in which the TFRP was not asserted. In 24 cases, the TFRP was not asserted because the trust fund amount was below the dollar threshold. In six cases, the penalty was not asserted because the ROs determined there was no collection potential. If TFRPs had been asserted (and subsequently assessed) on these individuals, IRS computer systems would have offset some of their refunds against existing liabilities. The offsets would have been limited to the

⁹ *The Internal Revenue Service Does Not Effectively Use the Trust Fund Recovery Penalty as a Collection Enforcement Tool* (Reference Number 2001-30-014, dated November 2000).

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amounts of actual trust fund taxes owed and injured spouse¹⁰ considerations, since the TFRP is usually assessed against only one of the two spouses who filed a joint return.

We recognize that some costs exist to obtain the information to determine the responsible officers, calculate the TFRP amounts, and make the assessments. However, the ROs have been working these cases for a significant period of time and may already have much of the information available. The IRS does not maintain cost estimates for the TFRP determination and assessment process. In our opinion, having refunds applied to a penalty assessment in these cases may justify any minimal cost associated with assessing the TFRP. Offsetting the refunds would increase revenue collected and improve tax compliance by making those responsible officers more accountable for their actions.

Recommendations

The Director, Compliance Policy, SB/SE Division, should:

1. Make programming changes to the ATFR system to ensure delinquent return investigations are addressed in TFRP calculations. These changes could include inserting logic provisions in the form used to calculate the TFRP.

Management's Response: The Field Payment Compliance office submitted a Request for Information Services for a programming enhancement to the ATFR system. The programming change will require ROs to address all unfiled returns prior to closing a case using the Law Enforcement Manual criteria.

¹⁰ When a joint return is filed and only one spouse owes past due taxes, the other spouse can be considered an injured spouse and may request his or her share of the joint refund. To be considered an injured spouse, the non-indebted spouse must have filed a joint tax return, have received income (such as wages, interest, etc.), have made tax payments (such as withholding), have reported the income and tax payments on the joint return, and have a refund due.

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2. Remind CFf managers to address unfiled returns and the TFRP in workload reviews and in their approvals of cases closed as CNC – Defunct.

Management's Response: Group managers were trained in an interactive video tele-training session on September 4, 2003.

3. Study the impact of revenue lost when the TFRP is not assessed and responsible officers subsequently receive refunds. Implement changes for asserting the TFRP, if appropriate.

Management's Response: SB/SE Division Compliance Policy management did not agree with this recommendation. They stated that to comply with this recommendation, ROs would need to accurately predict which taxpayers will receive refunds, and some of these refunds may be returned due to injured spouse claims.

Office of Audit Comment: While the potential for future taxpayer refunds may be difficult to predict, we believe there are compelling reasons for studying the impact of revenue lost when the TFRP is not assessed and responsible officers receive refunds. Specifically:

- Trust Fund liabilities are increasing and are a top priority for the CFf.
- We determined that responsible officers received personal income tax refunds totaling \$204,000 in 166 cases in which the TFRP was not asserted.
- Refund offsets are a cost-effective collection tool for the IRS.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Collection Field function uses the proper procedures when closing delinquent accounts of defunct businesses as Currently Not Collectible (CNC). To accomplish our overall objective, we:

- I. Evaluated the processes used to identify defunct entities and selected a sample of defunct cases closed as CNC – Defunct by:
 - A. Determining and evaluating the methods the Internal Revenue Service (IRS) uses to identify business entities as defunct.
 - B. Analyzing national IRS data for tax accounts closed with Transaction Code (TC)¹ 530 (denotes CNC) and Closing Code (CC)² 10 (denotes Defunct Corporation) by extracting 326,206 tax modules from the Integrated Collection System³ (ICS) on June 12, 2002. These modules represented taxpayer accounts closed on the ICS, with corresponding closures on the Master File⁴/Integrated Data Retrieval System (IDRS),⁵ with TC 530 and CC 10 between September 14, 1998, and May 23, 2002. The combination of these codes reflected all out-of-business entities closed as CNC – Defunct during that period.
 - C. Establishing a universe from which a sample could be selected for in-depth case review. Sixty percent (195,759 of 326,206) of the modules were coded differently on the Master File/IDRS and the ICS. Most of these discrepancies were modules coded on the ICS as either “in-business” or as individuals. From this sub-group of 195,759 modules, we judgmentally selected⁶ 321 for further analysis. These 321 modules represented 319 unique taxpayers (businesses).

¹ A transaction code is a three-digit number that directs IRS computers to do something to a taxpayer account and defines the precise nature of the transaction.

² A closing code is a two-digit code that identifies the various categories of Taxpayer Delinquency Account disposition by the Collection function.

³ The ICS provides on-line access to current account information and improved case management.

⁴ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

⁵ The IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.

⁶ We used a judgmental sample because the discrepancies in the Master File/IDRS and ICS coding meant that we could not adequately define the universe of cases closed as CNC – Defunct, a critical element in statistical sampling.

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- II. Determined whether proper Collection closing and Trust Fund Recovery Penalty (TFRP)⁷ procedures were applied in the sample of 319 cases by:
- A. Determining whether revenue officers (RO) made the correct determinations that accounts were not collectible.
 - B. Identifying the length of time the sampled cases remained in open inventory.
 - C. Determining whether the ROs made the proper determinations for asserting and calculating the TFRP against the appropriate responsible officers.
 - D. Determining whether potential assessment amounts from unfiled trust fund returns were considered when calculating the TFRP.
 - E. Determining the extent of refunds issued to potential responsible officers that were not assessed TFRPs and the potential trust fund amounts that could have been offset against those refunds.

⁷ The TFRP is asserted against responsible officers and is a method of collecting unpaid trust fund taxes from officers when taxes are not fully collectible from the business that failed to pay them.

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When Collecting Accounts of Defunct Businesses**

Appendix II

Major Contributors to This Report

Parker Pearson, Director
Richard Dagliolo, Director
Preston B. Benoit, Acting Director
Gary Swilley, Audit Manager
Joseph F. Cooney, Acting Audit Manager
James S. Mills, Jr., Senior Auditor
Cristina Johnson, Auditor
Mildred Rita Woody, Auditor

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Appendix III

Report Distribution List

Commissioner C
Deputy Commissioner for Services and Enforcement SE
Acting Deputy Commissioner, Small Business/Self-Employed Division SE:S
Director, Compliance, Small Business/Self-Employed Division SE:S:C
Project Director, Compliance Policy, Small Business/Self-Employed Division SE:S:C:CP
Director, Filing Compliance, Small Business/Self-Employed Division SE:S:C:CP:FC
Director, Payment Compliance, Small Business/Self-Employed Division SE:S:C:CP:PC
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Management Controls OS:CFO:AR:M
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S

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Appendix IV

Management's Response to the Draft Report

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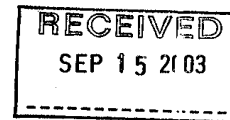
COMMISSIONER SBSE

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COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224



SEP 15 2003

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM: Dale F. Hart *Dale Hart by MSJ/2*
Commissioner Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – More Effective Actions Can Be Taken When
Collecting Accounts of Defunct Businesses (Audit #200230031)

I reviewed your report and appreciate your recognition that our revenue officers are taking the appropriate actions and making correct determinations regarding defunct businesses. I agree with the first two recommendations; however, I disagree with your recommendation that the Service should consider personal refunds when determining collectibility of the Trust Fund Recovery Penalty (TFRP). Our reasons for disagreement are discussed below.

When the Internal Revenue Service determines that a business is no longer in operation and has no assets to pay its liabilities, the accounts are closed as Currently Not Collectible (CNC) – Defunct. At the same time, the revenue officer will determine if the TFRP should be assessed against the responsible officers of the corporation. Trust fund taxes are the Federal taxes withheld from employee earnings and the employee and employer portions of taxes required by the Federal Insurance Contributions Act (FICA).

We would like to comment on two topics discussed in your report:

- Closing Defunct Business Accounts Took a Significant Amount of Time, and
- The TFRP is Frequently not Asserted Against Responsible Officers that Later Receive Refunds

Closing Defunct Business Accounts Took a Significant Amount of Time

Your report indicated that cases in this sample averaged 25.7 months in open Collection Field function (CFI) inventory, based on the time that elapsed from the date of case assignment to the field until the date of closure. The review did not indicate whether the cases went out of active inventory for any period of time or if there were any other actions that impacted these timeframes.

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COMMISSIONER SBSE

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Our review of a sample of these cases indicated that some of the taxpayers were granted installment agreements, some were pursuing an offer in compromise, and for some we were prohibited from working due to the events of September 11, 2001. Without an accurate analysis of the actions associated with each case, the average timeframes presented can be misleading. Your report does acknowledge that recent changes we implemented, such as a stronger emphasis on trust fund in-business cases, quicker assignment to the field, and more case involvement by managers, should improve the timeliness of working trust fund cases.

The TFRP is Frequently not Asserted Against Responsible Officers that Later Receive Refunds

You reported that ROs should consider the fact that responsible officers may receive future personal income tax refunds when determining collectibility. We do not agree with this statement, since ROs cannot accurately predict which taxpayers will receive refunds.

You also reported that responsible officers received personal income tax refunds totaling \$204,000 in 30 of the 166 cases where the TFRP was not asserted. Our analysis of these cases revealed the maximum potential offset was approximately \$100,000. However, over \$690,000 would have been assessed to offset this amount. These figures do not take into account the amount of refunds that would be returned due to injured spouse claims.

In addition, the earned income credit generated several of the refunds, indicating very little collection potential. Some of the refunds were the \$600 refund given through the Economic Growth and Tax Relief Reconciliation Act of 2001. Finally, if we did make the assessments and secured the refund offset in the first year, it is likely the responsible parties would limit their refunds in future years.

Our comments on your recommendations follow:

RECOMMENDATION 1

The Director, Compliance Policy, Small Business/Self-Employed Division (SB/SE), should make programming changes to the Automatic Trust Fund Recovery system (ATFR) to ensure delinquent return investigations are addressed in TFRP calculations. These changes could include inserting logic provisions in the form used to calculate the TFRP.

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CORRECTIVE ACTION

Field Payment Compliance office submitted a Request for Information Services (RIS) for a programming enhancement to the ATFR system. The programming change will require revenue officers to address all unfiled returns prior to closing a case using the Law Enforcement Manual (LEM) criteria.

IMPLEMENTATION DATE

February 15, 2004

RESPONSIBLE OFFICIAL

Director, Payment Compliance, Small Business/Self-Employed Division

CORRECTIVE ACTION MONITORING PLAN

The Program Director, Office of Field Payment Compliance, will advise the Director, Payment Compliance, of any corrective action delays.

RECOMMENDATION 2

The Director, Compliance Policy, SB/SE Division, should remind CFF managers to address unfiled returns and the TFRP in workload reviews and in their approvals of cases closed as CNC – Defunct.

CORRECTIVE ACTION

This information was presented to the group managers in an interactive video tele-training session on September 4, 2003.

IMPLEMENTATION DATE

Completed

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

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COMMISSIONER SBSE

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RECOMMENDATION 3

The Director, Compliance Policy, SB/SE Division, should study the impact of revenue lost when the TFRP is not assessed and responsible officers subsequently receive refunds. Implement changes for asserting the TFRP, if applicable.

CORRECTIVE ACTION

For the reasons indicated earlier, we do not agree that a study of the potential revenue lost through refund offsets is beneficial.

IMPLEMENTATION DATE

N/A

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

If you have any questions, please call me at (202) 622-0600 or Joseph R. Brimacombe, Deputy Director, Compliance Policy, Small Business/Self-Employed Division, at (202) 283-2200.